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RUEHKO/AMEMBASSY TOKYO 1835
RUEHUL/AMEMBASSY SEOUL 0794
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEAIIA/CIA WASHDC
RHEFAAA/DIA WASHDC
RHEHNSC/NSC WASHDC 1318
RUEKJCS/SECDEF WASHDC 1230
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SUBJECT: KAZAKHSTAN: ECONOMIC AND ENERGY UPDATE, JULY 5-18

11. SUMMARY: This information is drawn primarily from the
Kazakhstani local press and has not been verified for accuracy.

- State Will Fund Shymkent Oil Refinery Modernization
- KazMunaiGas To Acquire Pavlodar Oil Refinery
- Kazakhstan Seeks To Reduce Kashagan Project Costs
- Karachaganak To Provide Expansion Plan
- New Appointments at Kazatomprom
- New Appointment at Rompetrol Group

STATE WILL FUND SHYMKENT OIL REFINERY MODERNIZATION

12. According to a July 11 news report of the Kazakhstan Television
Channel, the government is ready to provide financial assistance to
modernize the Shymkent oil refinery. Modernization of the refinery
would increase its processing capacity from 5 to 6 million tons of
crude oil annually and allow it to launch production of sulfur,
polypropylene, and benzyl as well as to produce high-octane
petroleum products.

KAZMUNAIGAS TO ACQUIRE PAVLODAR OIL REFINERY

13. "KazMunaiGas will acquire a 100-percent stake in the Pavlodar
oil refinery, without the participation of the Chinese," Kaïrgeldy
Kabyldin, president of national oil and gas company KazMunaiGas
(KMG), told reporters on July 10. MangistauMunaiGas (MMG) still
owns 58 percent of the shares in the refinery, with the remaining
shares belonging to the Committee on State Property and
Privatization of the Ministry of Finance. KMG and the China
National Petroleum Corporation plan to finalize their deal to
acquire 100 percent of the common shares in MMG by the end of July.

KAZAKHSTAN SEEKS TO REDUCE KASHAGAN PROJECT COSTS

14. On July 10, Kabyldin told reporters that he believes "it is
feasible to cut the costs (of Kashagan) by 30 percent." Earlier,
the Minister of Energy and Mineral Resources, Sauat Mynbayev,
announced that capital expenditures for the Kashagan experimental
program would be reduced by \$1 billion.

KARACHAGANAK TO PROVIDE EXPANSION PLAN

¶5. On July 10, Kabyldin announced that Karachaganak Petroleum Operating B.V. (KPO) would provide a plan for the third stage of the Karachaganak development project in the fall. The plan calls for increases in annual production of liquid hydrocarbons to 15 million tons and natural gas to 38 billion cubic meters.

NEW APPOINTMENTS AT KAZATOMPROM

¶6. On July 13, Kazatomprom, Kazakhstan's state-owned nuclear company, announced the appointments of 48-year-old Nurlan Ryspanov as new vice president for production, and 37-year-old Galimzhan Pirmatov as new vice president for economy and finance. Prior to his appointment, Ryspanov was the director of the mining assets department at the Samruk-Kazyna National Welfare Fund. Pirmatov previously served as the deputy chairman of BankTuranAlem.

NEW APPOINTMENT AT ROMPETROL GROUP

¶7. On July 8, the former managing director of KMG, Saduokhas Meraliyev, was appointed as the new director general of the KMG-owned Rompetrol Group in Romania. The outgoing director general, Dinu Patrichi, will continue serving on KMG's board of directors. KMG president Kabyldin called on Rompetrol's new management to improve the company's organizational structure, reduce expenses, and spin off non-core assets.

HOAGLAND